

THE LUNDIN REPORT

A topical briefing on the worldwide activities of companies associated with Adolph Lundin.

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"Major oil discovery"

— Adolph H. Lundin

The period since the last report has been a momentous one. Having encountered major drilling difficulties, time delays, cost overruns and related problems, International Petroleum's well, Saleh 1-x, offshore Ras Al Khaimah, United Arab Emirates, has produced a major discovery. The well flowed approximately 6,000 barrels of 45.5 degree API gravity oil per day and approximately 27 million cubic feet of gas per day through a 3/4 inch choke with well head flowing pressure of over 3900 psi during testing. Further drilling and testing will, of course, have to be made to appraise the discovery but the fact that the structure is large, the pressures did not decline appreciably during testing, the oil is of excellent quality and a local market for the natural gas exists are causes for substantial optimism.

This is the stuff which can transform an exploration outfit like International Petroleum into a major oil producing company. Due to International Petroleum's substantial interest in the concession, i.e. 23.32%, this discovery has the potential to become a significant company builder.

The Ras Al Khaimah consortium is also fortunate to have Gulf Oil as operator for a number of reasons. Considering the difficulties encountered during drilling, only an operator with Gulf Oil's experience and competence could have tackled the technical problems so successfully. Furthermore, Gulf Oil and its partners have the commitment necessary to turn a promising exploration success into a production operation in the shortest possible time frame. It is also of major importance that Ras Al Khaimah is an ideal host country with whom to develop the concession.

Currently Gulf Oil is analyzing and evaluating the test data in order to present a field development proposal to the consortium towards the end of March.

Also on the oil side, South Atlantic Ventures's 20% participation in a Dome Petroleum farm-in in Manitoba, Canada, has got off to a flying start. Out of 10 wells drilled on the Waskada acreage since December 1982, 9 have been successfully completed and a large number of additional development locations have been proven up. South Atlantic is already receiving a cash flow from some of the completed wells and this will gradually increase in tandem with the ambitious drilling programme.

I am very glad to report that Glamis Gold's California gold mine is becoming a significant producer. In the first quarter of this current fiscal year, i.e. August – October 1982, Glamis made a net profit of \$588,000 or 20 cents per share. Recently technical improvements have caused a considerable increase in production which is currently in excess of 300 ounces of gold per week.

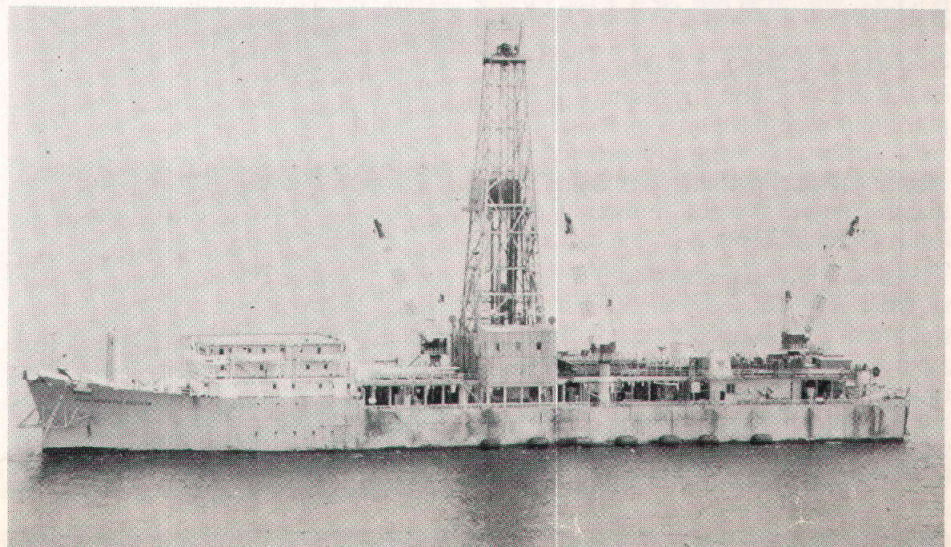
The last few months have seen the conclusions of several important financings. Thus a rights issue was completed by East Daggafontein Mines Ltd. which provided the company with

more than R3million. Also a \$600,000 private placement was made in Musto Explorations to fund the underground development and exploration program of the Apex mine.

Perhaps the most important financing in recent months was the fact that North South Resources Ltd. has received over Can\$5 million through the exercise of 99% of all outstanding warrants.

Of major long-term importance is also that our group has secured a foothold in Western Australia. Our Company here is called Indian Ocean Resources Ltd. and is mainly engaged in exploration for precious metals. It has recently secured a listing on the Sydney, Melbourne and Perth Stock Exchanges and is adequately funded. More about this in the next report.

With the establishment of strong local presences in 1982 in South Africa and Australia, I feel that our group is well represented in the important and safe mineral exploration countries of the world, i.e. Canada, U.S.A., South Africa and Australia. Regarding oil exploration I feel that our substantial presence in the Middle East is thoroughly justified since the region contains the bulk of the world's oil and gas reserves and our knowledge and contacts here are first class.



The drill ship Wodeco 8 which drilled Saleh 1-x

IN FOCUS

South Texas

In our August issue we referred to the successful drilling of the South Texas well Ross No. 1. This is now producing at the rate of 1 million cubic feet of gas per day and will not reach its potential of 2 mcfgd until the "gas-take" restrictions are lifted. The gas is being sold to the United Texas Transmission Company at a current price of US\$5.40 per thousand cubic feet.

Carlos Palacios was drilled to 21,000 feet but was dry. The next well is to be spudded on the North West side of the

Driscoll block. This large block (28,000 acres) has two prospects of significant interest and successful drilling here could locate a substantial potential reserve. The well will be drilled to a depth of about 20,000 feet and should be completed by the end of September. Gallion Resources and International Petroleum have respectively ten per cent and five per cent working interests in the Wilcox gas exploration programme.

Spain

Drilling of the offshore Bilbao well – Vizcaya A1 was suspended in October and the rig released pending resolution of certain contractual problems which had arisen. Drilling is now scheduled to

start again with a new rig in May so as to complete the well. International Petroleum has a 1% interest in this venture.

Eurocan Ventures is offering to acquire the outstanding share capital of Gallion Resources on a one for one basis. Eurocan, listed on the Vancouver Stock Exchange is engaged in gold exploration in Sierra Leone and participates in oil and gas programmes in the Middle East. Gallion is principally engaged in the South Texas Wilcox gas programme.

Companies at a glance

The Lundin report covers news of a series of companies engaged in oil, gas and mineral exploration and development throughout the world. Each of the companies is quoted on the Vancouver Stock Exchange with the exception of Gulfstream Resources which is an index stock on the Toronto Stock Exchange, and Gallion.

INTERNATIONAL PETROLEUM

International Petroleum was established in 1980. It is currently active in oil and gas exploration in the Middle East, Texas and the Bay of Biscay. Its major interests at present are drilling programmes offshore Ras al Khaimah, in the Western desert, Egypt, and in Texas.

EUROCAN

Eurocan Ventures was founded in 1979. It is currently engaged in a major exploration for gold in Sierra Leone. In addition, the company participates in a number of oil and gas ventures in the Gulf of Suez and Turkey.

NORTH SOUTH

North South Resources was established in 1978. It is actively exploring in Turkey in collaboration with Wintershall. The company is a major participant in the group's operations in the Gulf of Suez.

GALLION

Gallion Resources was formed in 1981. It is participating in gas exploration in Southern Texas. It also holds rights on mineral claims in Ontario.

GULFSTREAM

Gulfstream Resources was established in 1974. It is best known for its contribution to the development of the giant gas venture – the North Field offshore Qatar. The company also is involved in exploration in the Gulf of Suez and in Turkey.

MUSTO

Musto Explorations was formed in 1972 as a company specialising in mineral exploration, and particularly in strategic metals. It is engaged at present in investigating a mining property in southern Utah where there may be significant deposits of gallium and germanium.

SOUTH ATLANTIC

South Atlantic Ventures was established in 1981. It is currently engaged in two mineral exploration programmes in West Africa and Canada. In Sierra Leone it is exploring principally for gold in the Nimini Hills area. In Ontario it is carrying out a diamond drilling programme in the O'Sullivan and Maun lake area.

GLAMIS

Glamis Gold is participating in a gold mining venture in California and is actively pursuing other properties of merit in the Western United States.

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